



TECNICAS REUNIDAS

REPORT ON THE OPERATION OF THE  
APPOINTMENTS AND REMUNERATION  
COMMISSION

FINANCIAL YEAR 2020



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## REPORT ON THE OPERATION OF THE APPOINTMENTS AND REMUNERATION COMMISSION DURING THE FINANCIAL YEAR 2020

### 1. INTRODUCTION

The revised text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010 of July 2, 2010 (“LSC”) establishes in articles 529 terdecies that listed companies must set up an appointments and remuneration Commission (or two separate Commissions), and article 529 quindecies LSC establishes its rules of composition, operation and competencies.

On the other hand, article 529 nonies of the LSC establishes that the Board of Directors must annually evaluate its operation and that of its Commissions, and Recommendation 36 of the Good Governance Code of Listed Companies (the “Good Governance Code”) establishes that the evaluation of the Commissions shall be based on the report they submit to the Board of Directors.

On the basis of the foregoing, the Appointments and Remunerations Commission of Técnicas Reunidas, S.A. (the “Company”) prepares this report on its operation during the 2020 fiscal year, which will be available to shareholders and other interested parties on the Company’s website as from when formal notice of the Ordinary General Shareholders’ Meeting has been sent out, in accordance with Recommendation 6 of the Good Governance Code.

### 2. COMMISSION REGULATION AND PRACTICAL GUIDELINES THAT ARE BEING FOLLOWED

The Company’s Appointments and Remuneration Commission is regulated in articles 30 of the Company’s Bylaws and 14 of the Regulations of the Board of Directors. These documents are permanently published for consultation on the Company’s Corporate website ([www.tecnicasreunidas.es](http://www.tecnicasreunidas.es)).

In the exercise of its duties, the Appointments and Remuneration Commission starts from the provisions of the Good Governance Code and has also taken into account the basic principles and recommendations of the NSMC’s Technical Guide 1/2019 on Appointments and Remunerations Commissions, published in February 2019 (the “Technical Guide 1/2019”). In this regard, this report includes the information contained in section 11 of the third section of the Technical Guide 1/2019.

### 3. COMPOSITION

In accordance with articles 30 of the Company's Bylaws and 14 of the Board Regulations, the Appointments and Remuneration Commission must be comprised of a minimum of three and a maximum of five directors appointed by the Board of Directors itself from among the non-executive directors, and at least two of them must be independent directors.

Likewise, the Chairperson of the Appointments and Remuneration Commission shall be appointed by the Board of Directors from among the independent directors for a term of four years and may be re-elected one or more times for terms of the same duration.

During the 2020 financial year the Appointments and Remuneration Commission has changed. In this regard, between January 1 and September 30, 2020, the composition of the Commission was as follows:

Director	Position	Category
Mr. Alfredo Bonet Baiget	Chairman	Independent
Mr. Fernando de Asúa Álvarez	Member	Other External
Mr. José Manuel Lladó Arburúa	Member	Proprietary
Mr. José Nieto de la Cierva	Member	Independent
Mr. Rodolfo Martín Villa	Member	Other External
Non-Director Secretary: Mrs. Laura Bravo Ramasco.		

Since as of September 30, 2020 the Appointments and Remuneration Commission had five members and Mr. José Nieto de la Cierva, Independent Director of the Company, was a member of all the Commissions of the Board of Directors, he agreed to leave the position of member of the Appointments and Remuneration Commission, which was now occupied by Ms. Inés Elvira Andrade Moreno. Consequently, between September 30 and December 31, the composition of the Commission was as follows:

Director	Position	Category
Mr. Alfredo Bonet Baiget	Chairperson	Independent
Mr. Fernando de Asúa Álvarez	Member	Other External
Mr. José Manuel Lladó Arburúa	Member	Proprietary
Ms. Inés Elvira Andrade Moreno	Member	Independent
Mr. Rodolfo Martín Villa	Member	Other External
Non-Director Secretary: Mrs. Laura Bravo Ramasco.		

- Mr. Alfredo Bonet Baiget (Chairman) is an independent non-executive director. He was appointed director at the General Meeting of June 27, 2018 and appointed member and Chairperson of the Commission on July 25, 2018.

Mr. Bonet Baiget holds a degree in Economics and Business Administration from the Complutense University of Madrid and is a Commercial Technician and State Economist. His professional career includes the positions of Economic and Commercial Counselor of Spain in Miami (1987-1991) and Milan (1993-1997). General Manager of Altair Asesores (1997-2001). General Director of Promotion of the Spanish Institute for Foreign Trade (ICEX) (2001-2004). Secretary General of Foreign Trade and member of the Boards of Directors of Instituto de Crédito Oficial (ICO) and Navantia (2004-2010). Secretary of State for Foreign Trade and President of ICEX and Invest in Spain (2010-2012). Chief Economic and Commercial Counselor at the Spanish Delegation to the OECD (2012-2015). International Director of the Spanish Chamber of Commerce (2015-2018). Since 2018 he has been Secretary General of the Círculo de Empresarios.

- Mr. Fernando de Asúa Álvarez (member) is another external director. He was appointed director at the General Shareholder's Meeting of May 10, 2006, subsequently re-elected several times by the General Shareholder's Meeting and appointed member of the Commission since its constitution in 2006.

Mr. de Asúa Álvarez holds a degree in Economics and Computer Science from the Complutense University of Madrid and a degree in Business Administration and Mathematics from the University of California (USA). His professional experience is centered on a long career at IBM and IBM Spain between 1959 and 1991, having been General Manager of the South America Area and later Europe, President and CEO of IBM Spain and director of IBM World Trade Corp. He has been First Vice-President of Banco Santander Group from 2004 to February 2015.

- Mr. José Manuel Lladó Arburúa (member) is an external proprietary director. He was appointed director at the General Shareholder's Meeting of May 10, 2006, subsequently re-elected several times by the General Shareholder's Meeting and appointed member of the Commission since its constitution in 2006.

Mr. Lladó Arburúa holds a BSBA from Georgetown University and an MBA from the University of Chicago. Professionally, he has been Manager of the International Corporate Finance Division of Citibank N.A.

(1986-1990), Managing Director of Chase Manhattan Bank with responsibility for Global Market Sales for Spain (1990-2001) and Deputy General Manager of Banesto, with responsibility for the International and Treasury area (2001-2004). He is a founding partner of Summa Financial Services (2004-present) and Managing Director of Ideon Financial Services (2008-present). He is a member of the Board of Directors of Aragonesas Promoción de Obras y Construcciones, S.L; Layar Castilla, S.A. (Chairman); Summa Investment Solutions, S.A. (Chairman); Choice Financial Solutions, S.L. (Director); Fintonic Servicios Financieros, S.L. (Director); León Valores S.A., SICAV (Director); Araltec, S.L. (Vice-Chairman) and Aragonesas Promoción de Obras y Construcciones (Director).

- Ms. Inés Elvira Andrade Moreno (member) is an independent external director. She was appointed director at the General Meeting held on June 25, 2020 and was appointed member of the Commission on September 30, 2020.

Mrs. Andrade Moreno has a degree in Finance and International Business from the Georgetown University (Washington) and has completed a program in Finance and International Trade at Oxford University. She has developed her professional career in the financial and investment sectors. In this sense, she has held senior positions in JP Morgan, Citius, S.A., Inversiones Ibersuizas, iNova Capital or Grupo Río Real. Currently, Ms. Inés Elvira Andrade Moreno is Group Vice Chair and partner of Altamar Capital Partners Group.

- Mr. Rodolfo Martín Villa (member) is another external director. He was appointed director at the General Meeting held on June 26, 2019 and appointed member of the Commission on July 30, 2019.

Mr. Martín Villa has a degree in Industrial Engineering from the Polytechnic University of Madrid. In the public sector, Mr. Martín Villa has held a number of senior positions, which have included Minister for Trade Union Relations; Minister of the Interior and Minister of Territorial Administration from 1975 to 1981; Vice President of the Government in 1981 and 1982; Senator from 1977 to 1979; and Member of Parliament for two terms (1979-1983 and 1989-1997). In the business sector, Mr. Martín Villa has held senior positions in leading companies, such as Endesa (Chairman between 1997 and 2002) and Sogecable (Chairman between 2004 and 2010). In addition, Mr. Martín Villa has been a full member of the Royal Academy of Moral and Political Sciences since 2013.

Detailed information on the members of the Commission and their professional career is available to shareholders, investors, and other interested parties on the Company's website.

In accordance with the foregoing, the Commission has been composed entirely of non-executive directors, at least two of whom are independent directors, including its Chairperson, in accordance with the provisions of article 529 quindecies LSC, all of its members having been appointed by the Board of Directors taking into account the duties of the Commission and ensuring that its composition meets the various diversity criteria, among others, those related to the knowledge, skills, professional experience, competencies, personal abilities and sectorial knowledge of its members.

Likewise, during the 2020 financial year, two independent directors have been members of the Commission.

#### 4. COMPETENCIES OF THE COMMISSION AND ACTIVITIES CARRIED OUT DURING THE YEAR

Article 14.2 sets forth the duties of the Appointments and Remuneration Commission in the Regulations of the Board of Directors, without prejudice to other duties that may be assigned to it by the Board of Directors.

The following are the Commission's competences attributed in the Regulation that was in force between January 1 and December 31, 2020:

- Evaluate the skills, knowledge and experience required on the Board of Directors. To this end, it shall define the functions and aptitudes required of the candidates to fill each vacancy and evaluate the time and dedication necessary for them to effectively perform their duties.
- Establish a representation target for the underrepresented sex on the Board of Directors and develop guidelines on how to achieve this target.
- To submit to the Board of Directors proposals for the appointment of independent directors for appointment by cooptation or for submission to the decision of the General Shareholder's Meeting, as well as proposals for the re-election or removal of such directors by the General Shareholder's Meeting.
- To report on proposals for the appointment of natural persons to represent a director who is a legal entity.
- To report on the proposals for appointments of the remaining directors for their appointment by cooptation or for their submission to the



decision of the General Shareholders' Meeting, as well as the proposals for their re-election or removal by the General Shareholders' Meeting.

- Propose the members that should form part of each of the Commissions, taking into account the knowledge, aptitudes and experience of the Board Members and the duties of each Commission.
- To conduct the annual evaluation of the functioning of the Board of Directors.
- To report on proposals for the appointment and removal of senior executives and the basic conditions of their contracts.
- To report to the Board of Director son the appointment of internal positions (Chairperson, Vice-Chairperson, Chief Executive Officer, if any, and Secretary and Vice-Secretary, if any) of the Board of Directors.
- To examine and organize the succession of the Chairperson of the Board of Directors and the chief executive of the Company and, if appropriate, to make proposals to the Board of Directors so that such succession takes place in an orderly and planned manner.
- Propose to the Board of Directors the compensation policy for directors and general managers or those who perform their senior management duties under the direct supervision of the Board, executive Commissions or chief executive officers, as well as the individual compensation and other contractual conditions of executive directors, ensuring their observance.
- Formulate and review the criteria to be followed for the composition of the management team of the Company and its subsidiaries and for the selection of candidates and to report to the Board of Directors on the appointments or dismissal of managers reporting immediately to the Board of Directors.
- Analyze, formulate and periodically review proposed policies for hiring, retention and dismissal of executives.
- Analyze, formulate and periodically review proposals for executive compensation policies, weighing their appropriateness and performance.
- Annually report to the Board of Director son the evaluation of the performance of the Company's senior management.

- To carry out the annual evaluation of the operation and composition of the Board of Directors of the Company.
- To report to the Board of Director son the systems and amount of annual remuneration of directors and senior executives and to prepare the information to be included in the annual public information on directors' remuneration.
- Ensure transparency of remuneration.
- Inform to the Board of Directors regarding transactions that involve or may involve conflicts of interest.

In particular, during fiscal year 2020 the Commission has carried out the following activities:

a) In relation to the composition of the Board:

The Commission has analyzed the composition of the Board of Directors and analyzed the continuity of 8 directors whose term of office expired in June 2020, developing the mandatory reports, decisions and recommendations about them and looking for the necessary profiles to fill, if necessary, the vacancies resulting from this analysis. In this regard, the Commission considered that it was advisable to increment the percentage of independent directors to a minimum of 50% of the members of the Board of Directors and, likewise, to increase the percentage of female directors. As a result of this analysis, the Commission considered it appropriate to propose to the Board of Directors the appointment of Ms. Inés Elvira Andrade Moreno and Mr. Ignacio Sánchez-Asiaín Sanz as new directors of the Company, directors to cover the vacancies of Mr. José Lladó Fernández-Urrutia and Mr. Álvaro García-Agulló Lladó, who were considered executive and proprietary directors, respectively. In this regard, the Company focused its search for potential candidates on those profiles with recognized personal and professional experience, mainly in those areas most relevant to the Company, who could be considered independent directors and, finally, who could increase the percentage and number of female directors, which is why deliberately sought female candidates for these positions.

Additionally, the Commission has taken into special consideration the position of Mr. José Lladó Fernández-Urrutia, due to the fact that his replacement as Executive Chairperson of the Company by Mr. Juan Lladó Arburúa has activated the succession protocol of the first executive of the Company, ensuring at all times through proposals to the Board of Directors that such succession takes place in an orderly and planned manner. As a

consequence of the above, the Appointments and Remuneration Commission advised to transfer to Mr. José Lladó Fernández-Urrutia a proposal for appointment as Honorary Chairperson of the Company, since it is in the Company's interest to continue taking advantage of his experience and knowledge of the Company, of which he was one of the founders in 1960.

- b) In relation to the positions on the Board and the composition of the Commissions:

The Commission also proposed to the Board of Directors the directors who should form part of this Commission, taking into account their knowledge, skills and experience as well as the duties of the Commission. In this sense, it proposed to the Board the appointment of Mr. Ignacio Sánchez-Asiáin Sanz as member of the Audit and Control Commission, the appointment of Ms. Inés Elvira Andrade Moreno as member of the Appointments and Remuneration Commission, replacing Mr. José Nieto de la Cierva, as well as the appointment of Mr. Alfredo Bonet Baiget as member of the Management and Risk Commission, by virtue of his academic background and extensive professional experience in the areas under analysis and decision of the different Commissions.

- c) In relation to the remuneration of directors and senior management:

The Commission prepared a long-term remuneration plan for executive directors, and therefore initiated the procedure for the approval of a new Directors' Remuneration Policy for the years 2020-2022, which, as the only modification, would include the main characteristics of this long-term remuneration for executive directors.

- d) Other functions:

At various meetings of the Commission, it has been informed of the existing regulatory obligations in matters within its competence and, in particular, in relation to the obligations regarding the remuneration of the Board of Directors.

The Commission has analyzed in different sessions the progress of the new text of the Directors' Remuneration Policy submitted for approval by the Ordinary General Shareholders' Meeting of June 25, 2020, advised by the external consultants E&Y and Ramón y Cajal Abogados, in which the main characteristics of a long-term remuneration of executive directors were detailed. In this regard, the Commission has been informed by the external consultants on Long-Term Incentives (LTI) (instruments that grant the participant the possibility of receiving a variable remuneration, after a

certain period of time exceeding one year, and provided that certain conditions are met). The Commission evaluated the information received and agreed to commission an external consultant to design a proposal for the design of an ILP for the two executive directors based on the characteristics of the Company's business and best market practices, under the premises of simplicity, market value and in accordance with the principle of prudence.

In line with the foregoing, the Commission unanimously agreed to report favorably to the Board of Director son the implementation of the ILP proposal prepared with the support of the external consultant E&Y. In accordance with the current Directors' Remuneration Policy, the ILP that the Company implements for its executive directors must be approved by the General Shareholders' Meeting.

On the other hand, and after the corresponding evaluation and weighting of the variable remuneration criteria for executive directors and their different parameters (among which the evaluation of the Company's performance during the corresponding fiscal year is a fundamental issue), the Commission, following a criterion of prudence, agreed on the accrual and settlement of the variable compensation corresponding to fiscal year 2019 for each of the executive directors.

On the other hand, the Commission has been informed in different sessions, with the assistance of different managers of the Human Resources Department, of different issues related to appointments, scorecard, salary review and remuneration of senior executives, including the variable remuneration system based on objectives.

Likewise, the Commission has informed the Board about the proposal for the distribution of the total remuneration of the Board approved by the General Shareholders' Meeting, in order for the Board to set the specific amount corresponding to each of its members, taking into account the functions and responsibilities attributed to each director, the membership of Board Commissions and any other objective circumstances that the Board of Directors considers relevant, in accordance with the provisions of Article 22 of the Company's Bylaws.

It is also worth mentioning the good coordination between the Appointments and Compensation Commission and the heads of the Human Resources Department, which has favored the smooth functioning of this Commission.

e) Other matters:

The Commission was informed by the Company's Chief Financial Officer of the 100 Plan, the main objective of which is to optimize the Company's resources, identifying various opportunities for improvement.

Within the framework of the evaluation of the Board and its Commissions, the Commission unanimously approved its operating report corresponding to fiscal year 2019, agreeing to submit it to the Board. Additionally, in relation to the evaluation corresponding to the 2020 fiscal year, the Commission has made a request for bids, following the guidelines of the TRansforma Plan, for the provision of this service, awarded after the analysis of these proposals to the entity Ackermann International, which presents a methodology focused on the skills of each director and, therefore, in its gearing in the Board of Directors and its contribution or added value to it.

The Commission monitored the evolution of the Covid-19 pandemic and the actions taken by the Company in relation to its employees and facilities, as well as teleworking and the measures adopted by the Human Resources management to ensure the work continuity of operations, including the introduction of teleworking measure and the creation of a Covid-19 Commission comprising various professionals from the fields of Human Resources, Occupational Health and Safety and Information Systems. The Commission also worked on the development of resources during the fiscal year 2020 and on management by objectives.

The Commission also monitored the situation of the Spanish and foreign subsidiaries and the state of liquidation of those subsidiaries that the Company's activity made possible. The presentation, which was made by the Company's Internal Auditor, Mr. González Velayos, included the financial, labor, tax and internal control situation of these subsidiaries. Asimismo, la Comisión realizó un seguimiento de la situación de las filiales españolas y extranjeras y del estado de liquidación de aquellas que la actividad de la Sociedad lo hacía posible. La presentación, que realizó el Auditor Interno de la Sociedad, Sr. González Velayos, incluyó la situación financiera, laboral, fiscal y a efectos de control interno de dichas filiales.

In its last meeting, the Commission reviewed and unanimously approved the calendar of sessions for 2021 after making the appropriate modifications in accordance with its availability.

Finally, it should be noted that during the 2020 fiscal year there have been no deviations with respect to the procedures adopted by the Company, nor has the Board of Directors been informed of any irregularities in matters

within the competence of the Commission, as it is not aware of any such irregularities having occurred.

## 5. MEETINGS

In accordance with the provisions of Article 14 of the Board Regulations, the Commission shall ordinarily meet once a year to prepare the information on the compensation of the Board Members that the Board of Directors must approve and make public, although it should be noted that in recent years the Commission has held at least four meetings a year. It also establishes that it shall meet each time it is convened by its Chairperson, who must do so whenever the Board or its Chairperson requests the issuance of a report or the adoption of proposals and, in any case, whenever it is convenient for the proper performance of its duties. The Commission held seven meetings in fiscal year 2020.

On the other hand, Technical Guide 1/2019 recommends that the presence of other directors, executives or any third party at the meetings of the Appointments and Remuneration Commissions should only take place at the invitation of the Chairperson of the Commission and should be limited to those items on the Agenda in relation to which they are invited. It also stipulates that the minutes of the meetings shall record the entries and exits of the various guests and that, except in specific cases, the justification for which must be stated in the minutes, the guest shall not attend the deliberation and voting phases of the Commission.

In the period from January 1, 2020 to December 31, 2020, the Appointments and Remuneration Commission met 7 times, having been convened by the Secretary, by order of the Chairperson, through individual communication to each of its members.

All the members of the Commission attended all the meetings held in person, either in person or by electronic means.

In addition to its members, the following persons have attended the meetings of the Appointments and Remuneration Commission, at the invitation of the Chairperson of the Commission, to deal with certain items on the Agenda:

- Human Resources Director.
- Internal Audit Director.

Likewise, when deemed appropriate, external advisors (in particular, E&Y and KPMG) have participated in the meetings of the Appointments and

Remuneration Commission to deal with specific matters within their competence, as indicated in section 4 above of this report, and no potential conflicts of interest have been reported by the advisors or identified by the Commission.

All the guests invited to the Commission have been invited by the Chairperson, have been present to deal with the items on the Agenda for which they have been requested and none of them have attended the deliberation and voting phases of the Commission meetings, and the minutes of the meetings have recorded the entries and exits of the various guests.

## 6. SELF-EVALUATION

As mentioned above, during the 2020 fiscal year, the evaluation process corresponding to the 2019 fiscal year of the Board of Directors and its Commissions was carried out with the assistance of the external advisor KPMG, having verified that the consultant is not the same one that advises the Company on the appointment of directors or senior executives or on compensation systems and whose Independence has been verified by the Appointments and Remuneration Commission.

The following areas were evaluated:

- The quality and efficiency of the operation of the Board of Directors.
- The operation and composition of its Commissions.
- Diversity in the composition and competencies of the Board of Directors.
- The performance of the Chairperson of the Board of Directors, the Executive Vice Chairperson and the Secretary of the Board.

As regards to the methodology used, the evaluation of the different Commissions was based on the report submitted by them to the Board of Directors, and for the evaluation of the Board of Directors, on the report submitted by the Appointments and Remuneration Commission. In addition, as part of the process, an evaluation questionnaire was sent to all the Board Members, which, after having been completed by each Board Member, was analyzed in order to obtain a homogeneous result from the members of the Board of Directors. In addition, the external consultant held interviews with the members of the Board as part of the evaluation process.

It should be noted that the evaluation of the functioning of the Board of Directors and its Commissions has progressively improved over the last few years. In particular, the following aspects were rated very positively: the working

environment and open dialogue, which allows free decision making and expression of the Board Members; the holding of sufficient meetings; the possibility of acting independently; the satisfactory performance of their responsibilities; and having an adequate number of Board Members.

Regarding the actions included in the action plan provided for in Article 529 nonies LSC, the main areas for improvement identified by the directors were the following: continue to strengthen the monitoring of strategic objectives; promote the attendance of the management team at the Board of Directors' meetings; anticipate the sending of documentation for the meetings; and strengthen the information on risks.

In particular, with respect to the Commission, the Board Members positively evaluated its operation during the year, considering that it has performed its functions adequately. Regarding the actions included in the action plan, the main recommendation of the Board Members was to continue strengthening the planning of the matters to be dealt with during the year.

Likewise, the Commission analyzed how to approach the evaluation of the Board and its Commissions for fiscal year 2020, agreeing that it would be done with the collaboration of an external consultant as in previous years. Following a request for bids, the consultant Ackermann International was chosen, as indicated in section 4.e) above.

As a result of the Board's self-assessment, it was agreed to develop an Action Plan comprising actions in the areas of organization and conduct of meetings (e.g., develop short summary sheets of Commission proceedings), Board composition (e.g., reduce number of directors, regulating the composition of the Board with greater flexibility and incorporating more female directors in 2022, coinciding with the planned expiration of the current terms) and training of directors (developing at least 5 sessions dedicated to commercial process, general operations process, engineering organization, purchasing policy and construction management).

## 7. CONCLUSIONS

Based on the foregoing, the Appointments and Remuneration Commission has evaluated its composition and operation during the 2020 fiscal year, considering that:

- The composition of the Commission has been adjusted to the provisions of the LSC and its internal rules, with members having the knowledge and experience appropriate to the competencies of the Commission and the sector of activity to which the Company belongs, with two of its

members being independent directors, and the Coordinating Independent Director forming part of the Commission until September 30, 2020.

- The Commission has met more frequently than the frequency established in Article 14 of the Board Regulations and whenever it has been necessary in view of the matters to be dealt with at the meeting, exceeding the minimum frequency of meetings established in Technical Guide 1/2019.
- Six of the seven meetings of the Commission have been attended by all its members.
- Finally, the Commission has deliberated and adopted agreements on the matters within its competence, in an informed manner and after discussions in which there has been a constructive dialogue and critical attitude, favoring the diversity of opinions, as provided for in Technical Guide 1/2019. Likewise, when necessary, the Commission has been advised by external experts.

In accordance with the foregoing, the Appointments and Remuneration Commission has complied in general terms with the rules set forth in the Law and in its internal rules as regards composition, frequency of meetings, attendance and informed participation of its members, and the Commission has also dealt with the matters within its competence, and its activity during the 2020 fiscal year has been very positively evaluated.

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*This Report on the functioning of the Appointments and Remuneration Commission during the 2020 fiscal year was prepared by the Commission on May 5, 2021, having been submitted to the Board of Directors of the Company at its meeting held on May 26, 2021.*